

Message Text

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C O N F I D E N T I A L PRAGUE 17

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, EFIN, CZ, US

SUBJECT: CLAIMS AGREEMENT

1. FOLLOWING ARE THE EMBASSY'S PRELIMINARY OBSERVATIONS ABOUT NEXT STEPS IN US-CZECHOSLOVAK RELATIONS FOLLOWING PASSAGE OF THE LONG-GRAVEL AMENDMENT AND INITIAL CZECHOSLOVAK REACTION TO IT (RUDE PRAVO ARTICLE OF JANUARY 2, PRAGUE 006).

2. WE ARE ENCOURAGED AT THE PRESENTATION IN RUDE PRAVO, PARTICULARLY ITS RECOGNITION THAT THE ADMINISTRATION ("REALISTIC OFFICIALS") HAD WANTED AND STILL DO WANT NORMALIZATION OF RELATIONS, INCLUDING REALIZATION OF THE CLAIMS AGREEMENT. WE IMAGINE THAT A FORMAL DIPLOMATIC PRESENTATION OF THE CZECH POSITION WILL BE MADE SOON, BUT AT LEAST FOR THE PRESENT IT APPEARS THAT THEY ARE BEING CAREFUL NOT TO SHUT THE DOOR TO FURTHER CONSIDERATION OF THE MATTER. INDEED, IT WOULD BE AGAINST THEIR INTEREST TO DO OTHERWISE, SINCE WE STILL HAVE THE GOLD, AND PASSAGE OF THE TRADE BILL OPENS UP OTHER AVENUES OF NEGOTIATION HITHERTO CLOSED TO THEM.

3. WE HOPE THAT THE DEPARTMENT WILL TAKE FULLY INTO ACCOUNT THE MAGNITUDE OF THIS SETBACK FOR CZECHOSLOVAK FOREIGN POLICY. SINCE IN NEARLY ALL FOREIGN POLICY AREAS PRAGUE MUST STEP CLOSELY IN MOSCOW'S TRACKS, THE CZECHOSLOVAKS' ONLY WAY OF HAVING A CZECHOSLOVAK FOREIGN POLICY AT THIS STAGE HAS BEEN
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TO WORK ASSIDUOUSLY TOWARDS NORMALIZATION OF RELATIONS WITH

THE MAJOR WESTERN POWERS, PARTICULARLY BY MEANS OF CLAIMS AGREEMENTS WITH THE FEDERAL REPUBLIC, AUSTRIA AND THE US. REALIZING THE CLAIMS AGREEMENT WITH THE US WAS TO BE THE CAPSTONE OF THE POST-DUBCEK LEADERSHIP'S POLICY TOWARDS THE WEST, AND OUR INABILITY TO IMPLEMENT THE INITIALED AGREEMENT WAS FOR THEM A POLICY DISASTER. (IT WAS IN PARTICULAR A PERSONAL BLOW TO CHNOUPEK, WHO AS FOREIGN MINISTER HAD TAKEN ON CREDIT AND RESPONSIBILITY FOR THE INITIALED AGREEMENT.) HAVING GONE THROUGH THE SAME EXPERIENCE IN THE NOVOTNY ERA IN 1964, THE CZECHOSLOVAKS ARE GOING TO FIND THE IDEA OF "RENEGOTIATION" AN ESPECIALLY BITTER PILL.

4. IN OUR VIEW, THE US SIDE IS CALLED UPON NOW TO BE THE FORTHCOMING PARTNER IN THESE NEGOTIATIONS, WHICH WE HOPE WILL CONTINUE EVEN IF WE HAVE TO FIND PATHS AROUND EXPLICIT USE OF THE WORD "RENEGOTIATION." WITHOUT PREACHING A SERMON, WE BELIEVE THAT THE UNCONTESTED CZECH OWNERSHIP OF THE GOLD, TOGETHER WITH THE DEPLORABLE AMERICAN NEGOTIATING RECORD OVER THE YEARS IN THIS MATTER IMPEL US TO MAKE A FRESH EFFORT. THIS IS OF SUFFICIENT IMPORTANCE THAT IN OUR VIEW OTHER PRIORITIES IN EASTERN EUROPE OUGHT TO BE REASSESSED, AND THE EFFORT TO REACH AGREEMENT WITH CZECHOSLOVAKIA GIVEN MUCH GREATER WEIGHT.

5. A CONCOMITANT CONSIDERATION IS THAT WE SHOULD BE CAREFUL NOT TO OVERREACT TO NEGATIVE MANIFESTATIONS FROM THE CZECH SIDE. AS PART OF A TENSE NEGOTIATING SITUATION, THEY HAVE ALREADY COMMITTED THEMSELVES, IT SEEMS TO US, TO CERTAIN NEGATIVE STEPS, E.G. POSTPONING THE OPENING OF THE US CONSULATE GENERAL IN BRATISLAVA. WE DO NOT TAKE THESE NEGATIVES AS GIVENS, AND INDEED PLAN TO MAKE EVERY EFFORT TO PERSUADE THE CZECHOSLOVAKS TO ABSTAIN FROM THEM, AS WE KNOW THE DEPARTMENT IS DOING IN WASHINGTON. BUT IN ALL SOBRIETY WE SHOULD EXPECT SOME TANGIBLE EVIDENCES OF CZECH DISAPPOINTMENT, AND WHILE STANDING FIRM AGAINST PRESSURE, WE SHOULD ON OUR SIDE NOT LET THESE HARM THE ATMOSPHERE ANY MORE THAN NECESSARY.

6. WE UNDERSTAND THAT THE TRADE BILL PRESENTS SCORES OF VITAL AND URGENT QUESTIONS, BUT WE HOPE THAT AT AS THE NEW CONGRESS CONVENES THE DEPARTMENT WILL HAVE THE CZECHOCONFIDENTIAL

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SLOVAK CLAIMS MATTER HIGH ON IT SLIST OF QUESTIONS TO DISCUSS WITH CONGRESSIONAL LEADERS. WHILE WE OF THE EXECUTIVE BRANCH MAY FIND IT DISTASTEFUL TO BREAK PRECEDENT AND NEGOTIATE A CLAIMS AGREEMENT AS IF IT WERE A TREATY, THE TRADE BILL -- AND OUR COMMITMENT TO THE SENATE NOT TO RETURN THE GOLD WHILE THE MATTER IS PENDING -- COMPELS US TO DO SO. SINCE IT SEEMS MANIFESTLY UNWORKABLE TO KEEP GOING UP THE HILL WITH INITIALED AGREEMENTS -- EVEN IF THE CZECHS WOULD INITIAL ANY MORE WITH-

OUT SOME GUARANTEE THEY WOULD STICK -- WE SEEM UNDER OBLIGATION TO CONSULT WITH CONGRESS BEFOREHAND. THE TRADE BILL STIPULATES THAT THE CLAIMS AGREEMENT BE PART OF ANY AGREEMENT ENTERED INTO UNDER TITLE V, AND THAT THE GOLD NOT BE RETURNED UNTIL SUCH AN AGREEMENT IS APPROVED; SO IT SEEMS TO US THAT IF WE ARE TO MOVE FORWARD, WE MUST BE READY TO NEGOTIATE A TRADE AGREEMENT. AS THE DEPARTMENT IS WELL AWARE, THE CZECHS WERE EXTREMELY EAGER TO LINK THE CLAIMS AGREEMENT WITH A TRADE AGREEMENT (AND THUS WITH MFN), SO THE ESTABLISHMENT OF A NEW PACKAGE (CLAIMS AGREEMENT PLUS GOLD RETURN PLUS TRADE AGREEMENT) WOULD HAVE GREAT APPEAL FOR THEM, SUFFICIENT ONE WOULD HOPE TO GET AROUND THE WORK "RENEGOTIATION." THE ADMINISTRATION'S POSITION HAS OF COURSE BEEN THAT SUCH TRADE AGREEMENTS WITH THE USSR AND EASTERN EUROPE ARE IN THE US INTEREST, SO WE SHOULD BE IN A GOOD POSITION TO ENTER INTO TALKS FOR A TRADE AGREEMENT WITH CZECHOSLOVAKIA. THE ONLY NEW ELEMENT WOULD BE A HIGHER PRIORITY ACCORDED CZECHOSLOVAKIA, BUT AS NOTED ABOVE, SURELY THE LONG-GRAVEL AMENDMENT IS SUFFICIENT TO JUSTIFY SOME REASSESSMENT OF PRIORITIES.

7. I WOULD LIKE TO RECOMMEND THEREFORE THAT THE DEPARTMENT GIVE URGENT ATTENTION TO PREPARING POSITIONS FOR NEW TALKS WITH THE CZECHOSLOVAKS, PERHAPS TO BE HELD IN WASHINGTON, TO INCLUDE CONSIDERATION OF A TRADE AGREEMENT AS WELL AS THE CLAIMS AGREEMENT AND RETURN OF THE GOLD. AT THE PROPER TIME, AFTER PRELIMINARY TALKS WITH THE CZECHOSLOVAK SIDE, THE DEPARTMENT SHOULD BE ABLE TO TAKE UP THE PACKAGE WITH RESPONSIBLE CONGRESSIONAL LEADERS AND GET THE KIND OF COMMITMENT THAT WOULD MAKE NEGOTIATIONS POSSIBLE. IT SEEMS TO ME THAT THE ADVANTAGES TO US BUSINESSMEN OF A TRADE AGREEMENT, TOGETHER WITH THE NEED TO GET PAST THE LONG-GRAVEL ROADBLOCK AND GET A SATISFACTORY CLAIMS AGREEMENT SIGNED, WOULD MAKE THE CONGRESS SUFFICIENTLY CONFIDENTIAL

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REASONABLE IN THIS MATTER TO ENABLE US TO FORESEE AN EVENTUAL AGREEMENT.

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